

Message Text

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ACTION EB-08

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E.O. 11652: N/A
TAGS: EMIN, EFIN, ECON, JM
SUBJECT: GOJ MOVES TO ACQUIRE MAJORITY OWNERSHIP OF CARIBBEAN
CEMENT COMPANY; AND TWO BLOCK-MAKING PLANTS CLOSE DOWN

REFERENCE: KINGSTON 0550

1. FOLLOWING A REPORT THAT THE CARIBBEAN CEMENT COMPANY
IS CUTTING BACK PRODUCTION (SEE REFTEL), THE GOVERNMENT
JOF JAMAICA HAS MOVED TO TAKE OVER MAJORITY OWNERSHIP OF
THE PLANT WHICH IS SAID TO BE IN FINANCIAL DIFFICULTIES.

2. ACCORDING TO THE MINISTER OF MINING, MR. HORACE CLARKE,
THE GOJ HAS OFFERED TO INJECT MUCH NEEDED CAPITAL INTO IT
BY SUBSCRIBING AN AMOUNT TO THE COMPANY'S SHARES WHICH WILL
GIVE THE GOVERNMENT A CONTROLLING INTEREST. IF NO AGREEMENT
ON THIS PROPOSAL CAN BE REACHED, MR. CLARKE SAID THAT THE
GOJ IS READY TO PROPOSE LEGISLATION WHICH WILL ENSURE THE
CONTINUED PRODUCTION OF CEMENT WITHOUT AFFECTING THE PRESENT
OWNERSHIP STRUCTURE.

3. HE EXPLAINED THAT THE MOVE WAS BASED ON THE FOLLOWING:

A) CEMENT IS AN ESSENTIAL COMMODITY TO THE JAMAICAN ECONOMY
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AND PRODUCTION MUST BE INCREASED.

B) THE LARGE WORK FORCE AT THE COMPANY SHOULD CONTINUE
TO HAVE SECURE EMPLOYMENT. MANAGEMENT HAD WARNED THAT
CUT-BACKS WERE LIKELY.

C) THE GOVERNMENT WILL NOT PURCHASE ANY SHARES FROM

EXISTING SHAREHOLDERS AS THE FUNDS AVAILABLE WERE NEEDED
FOR WORKING CAPITAL, PRODUCTION AND EXPANSION.

D) THERE ARE GOOD OPPORTUNITIES FOR EXPORTING CEMENT.

4. MEANWHILE, TWO OF THE COUNTRY'S LARGEST MANUFACTURERS OF
CONCRETE BLOCKS ARE DISCONTINUING OPERATIONS. CONCRETE BLOCK
MAKING COMPANY LIMITED OWNED BY THE STEPHENS FAMILY AND
FOUNDED ABOUT THIRTY YEARS AGO HAS ALREADY CLOSED DOWN DUE TO
THE SLUMP IN LOCAL CONSTRUCTION AND MIGRATION OF OLD AND
POTENTIAL CLIENTS. THE J\$250,000 BUSINESS PRODUCED 12,000
SIX-INCH BLOCKS PER DAY AND EMPLOYED THIRTY-FIVE PEOPLE. THE
OTHER COMPANY, HOPKINS BLOCK MAKING COMPANY, HAS SUSPENDED
OPERATIONS AND HAS PUT UP THE BUSINESS FOR SALE. THE FIRM HAS
A DAILY PRODUCTION CAPACITY OF 9,000 SIX-INCH BLOCKS.

5. COMMENT: THE DIFFICULTIES FACED BY BOTH THE CEMENT AND
BLOCK-MAKING COMPANIES REFLECT THE SLUMP IN THE CONSTRUCTION
INDUSTRY. ITS CAUSES INCLUDE THE OVERBUILDING OF TOURISM FACILITIES,
THE GENERAL CLIMATE OF BUSINESS UNCERTAINTY AND THE FACT THAT
MANY OF THE INDUSTRIES' CUSTOMERS WERE FORCED TO CURTAIL OR
DISCONTINUE OPERATIONS FOLLOWING OPERATING DEFICITS.
IN ADDITION TO A DECLINING MARKET, THE CEMENT COMPANY
FACED SERIOUS FINANCIAL DIFFICULTIES RESULTING FROM AN
INEFFICIENT PLANT, LARGE INDEBTEDNESS, A VAST EXPANSION
PROGRAM WHICH HAD ALREADY ABSORBED J\$18 MILLION BUT
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CANNOT BE COMPLETED WITHOUT SUBSTANTIAL ADDITIONAL INVESTMENT.
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